

TOWNSHIP OF McMillan, MICHIGAN
(LUCE)
FINANCIAL STATEMENTS

For the Year Ended June 30, 2004

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name McMillan Township	County Luce
Audit Date 6/30/04	Opinion Date 9/10/04	Date Accountant Report Submitted to State: 9/30/04	

We have audited the financial statements of this local unit of government and entered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Anderson, Tackman & Company, P.L.C.			
Street Address 102 W. Washington St, Suite 109		City Marquette	State MI
Accountant Signature <i>Mark A. [Signature]</i>		ZIP 49855	

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ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

Honorable Supervisor and Members of
the Township Board of Trustees
Township of McMillan, Michigan
405 Newberry Avenue
Newberry, Michigan 49868

We have audited the financial statements of the governmental activities, business-type activities, major funds, and remaining fund information, which collectively comprise the basic financial statements of the Township of McMillan, Michigan as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit, and the report of the other auditors, provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, major funds and remaining fund information of the Township of McMillan, Michigan at June 30, 2004, and the changes in financial position and cash flows, where applicable, of those activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the Township of McMillan, Michigan has implemented a new financial reporting model as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – And Management's Discussion And Analysis – For State and Local Governments*, as of June 30, 2004.

The Management's Discussion and Analysis and budgetary comparison information is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Honorable Supervisor and Members of the Township Board of Trustees
Township of McMillan, Michigan

In accordance with *Government Auditing Standards*, we have also issued a separate report to management dated September 10, 2004 on our consideration of the Township of McMillan, Michigan's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the Township of McMillan, Michigan's basic financial statements taken as a whole. The combining and individual fund statements and schedules as listed in the accompanying table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the Township of McMillan, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audit and the report of the other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

September 10, 2004

Township of McMillan, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Township of McMillan's financial performance provides an overview of the Township's financial activities for the year ended June 30, 2004. Please read it in conjunction with the financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

- The Township's net assets were reported for the first time under GASB 34. As such, no comparisons with prior years will be made. In future years, comparative information will be presented in various schedules throughout the MD&A.
- Net assets for the Township as a whole decreased by \$ 26,366 as a result of this year's operations. Net assets of our business-type activities decreased by \$10,655, or 7 percent, and net assets of our governmental activities decreased by \$ 15,711, or 1 percent.
- During the year, the Township had expenses for governmental activities that were \$642,727 and expenses for business type activities that were \$ 46,084.
- The General Fund reported a net fund balance of \$527,736. Net income was \$130,782 higher than the forecasted decrease of \$119,341.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 11 and 12) provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements start on page 13. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for the future spending. Fund financial statements also report the Township's operations in more detail than the government-wide statements by providing information about the Township's most significant funds. The remaining statements provide financial information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside the government.

Reporting the Township as a Whole

Our analysis of the Township as a whole begins on page 7. One of the most important questions asked about the Township's finances is "Is the Township as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Township as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Township's *net assets* and changes in them. You can think of the Township's net assets - the difference between assets and liabilities - as one way to measure the Township's financial health, or *financial position*. Over time, *increases or decreases* in the Township's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Township's patron base and the condition of the Township's capital assets, to assess the *overall financial health* of the Township.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

In the Statement of Net Assets and the Statement of Activities, we divide the Township into two kinds of activities:

- **Governmental Activities** – Most of the Township's basic services are reported here, including the legislative, elections, public safety, public works, recreation and culture, community and economic development and general services and administration. Property taxes, charges for services and state sources fund most of these activities.
- **Business-Type Activities** – The Township charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Wastewater Treatment Fund is reported here.

Reporting the Township's Most Significant Funds

Our analysis of the Township's major funds begins on page 7. The fund financial statements begin on page 16 and provide detailed information on the most significant funds – not the Township as a whole. Some funds are required to be established by State law and by bond covenants. However, the Township Board establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using taxes, grants, and other money. The Township's two kinds of funds - *governmental* and *proprietary* - use different accounting approaches.

- *Governmental funds* – Most of the Township's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term* view of the Township's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. We describe the relationship (or differences) between *governmental activities* (reported in the Statement of Net Assets and Statement of Activities) and *governmental funds* in a reconciliation which follows the fund financial statements.
- *Proprietary funds* – When the Township charges customers for the services it provides – whether to outside customers or to other units of the Township – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the Township's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The Township as Trustee

The Township is the trustee, or fiduciary, for assets that – because of a trust arrangement – can be used only for the trust beneficiaries. All of the Township's fiduciary activities are reported in separate Statements of Fiduciary Net Assets on page 20. We exclude these activities from the Township's other financial statements because the Township cannot use these assets to finance its operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The Township as a Whole

Table I provides a summary of the Township's net assets as of June 30, 2004.

Table 1
Net Assets

	Governmental Activities - 2004	Business-Type Activities - 2004	Total Primary Government - 2004
Current and other assets	\$ 2,205,328	\$ 6,491	\$ 2,211,819
Capital assets, net	133,532	281,627	415,159
Total Assets	<u>2,338,860</u>	<u>288,118</u>	<u>2,626,978</u>
Current liabilities	1,144,752	87,662	1,232,414
Noncurrent liabilities	-	57,967	57,967
Total Liabilities	<u>1,144,752</u>	<u>145,629</u>	<u>1,290,381</u>
Net Assets:			
Invested in capital assets, net of related debt	133,532	218,759	352,291
Restricted	-	8,045	8,045
Unrestricted (deficit)	1,060,576	(84,315)	976,261
Total Net Assets	<u>\$ 1,194,108</u>	<u>\$ 142,489</u>	<u>\$ 1,336,597</u>

Net assets of the Township's governmental activities stood at \$ 1,194,108. *Unrestricted* net assets—the part of net assets that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$1,060,576.

The \$1,060,576 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The net assets of our business-type activities stood at \$142,489. The Township can generally only use these net assets to finance continuing operations of the Wastewater Treatment Facility operations.

The results of this year's operations for the Township as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal year 2004. Since this is the first year the Township has prepared financial statements following GASB Statement No. 34, revenue and expense comparison to fiscal year 2003 is not available.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Table 2
Change in Net Assets

	Governmental Activities - 2004	Business-Type Activities - 2004	Total Primary Government - 2004
Revenues			
Program Revenues:			
Charges for services	\$ 20,738	35,429	\$ 56,167
Operating Grants and Contributions	90,463	-	90,463
General Revenues:			
Property taxes	290,159	-	290,159
State Sources	121,831	-	121,831
Interest and Miscellaneous	103,825	-	103,825
Total Revenues	627,016	35,429	662,445
Program Expenses:			
Legislative	29,394	-	29,394
Elections	803	-	803
General Services and Administration	340,985	-	340,985
Public Safety	47,728	-	47,728
Public Works	32,404	-	32,404
Community & Economic Development	191,413	-	191,413
Recreation and Culture	-	-	-
Other	-	-	-
Wastewater Treatment	-	46,084	46,084
Total Expenses	642,727	46,084	688,811
Excess (deficiency) before transfers	(15,711)	(10,655)	(26,366)
Transfers	-	-	-
Increase (decrease) in net assets	(15,711)	(10,655)	(26,366)
Net assets, beginning, as restated	1,209,819	153,144	1,362,963
Net Assets, Ending	\$ 1,194,108	\$ 142,489	\$ 1,336,597

The Township's total revenues were \$ 662,445. The total cost of all programs and services was \$ 688,811, leaving an decrease in net assets of \$26,366. Our analysis below separately considers the operations of governmental and business-type activities:

Governmental Activities

The net assets of the Township's governmental activities decreased \$15,711 for the year ended June 30, 2004.

Our net assets decreased by \$15,711. The majority of this were new loans in the UDAG Fund. There were more new loans then payments received on existing loans.

Business-type Activities

During the year ended June 30, 2004, the net assets of the Township's business type activities decreased by \$ 10,655.

Township business activities decreased by \$10,655. The reason for this is that we are not charging users for any depreciation charges.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

THE TOWNSHIP'S FUNDS

As the Township completed the year, its governmental funds (as presented in the balance sheet on page 13 reported a *combined* fund balance of \$ 1,060,576 an decrease of \$ 15,732 from the beginning of the year.

Governmental Funds decreased by \$15,732. This again is due to our new loans in the UDAG Fund being greater than the principal and interest received on existing loans.

General Fund Budgetary Highlights

Over the course of the year, the Township Board revised the budget a few times.

Amendments resulted in a zero change in overall equity.

With these adjustments, actual charges to expenditures were \$ 66,549 less than the final amended budget. Conversely, revenues were \$ 64,233 more than the final budget projection.

Budgets – General Fund – There was \$66,549 less than the final amendments. Conversely there was \$64,000 more in revenues than the original projections. We had several immaterial budget amendments during the year.

The differences between final budget and the actual is made up of:

- \$26,816 was related to decrease in road projects for the year
- \$26,985 came from an overall decrease in general services and administration than projected
- \$12,748 came from all other activities in the general fund

Overall, we came in better by \$64,233 than expected.

- \$51,831 is due from accruing two months of State Revenue Sharing due to GASB #34 changes
- \$10,009 is due from the First Summer Tax collection fees paid by the State of Michigan
- \$2,393 is from all other revenue items in the general fund

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2004, the Township had \$ 415,159 invested in a variety of capital assets including land, buildings, and other equipment. (See table 3 below)

Table 3
Capital Assets at Year-End (Net of Depreciation)

	Governmental Activities - 2004	Business-Type Activities - 2004	Totals - 2004
Land	\$ 51,750	\$ -	\$ 51,750
Land improvements	-	-	-
Buildings and improvements	74,524	-	74,524
Equipment and furnishings	7,258	281,627	296,143
	<u>\$ 133,532</u>	<u>\$281,627</u>	<u>\$ 415,159</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Debt

At year-end, the Township had no outstanding Debt

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

In preparing the Township's budget for the year ending June 30, 2005.

Basically , the budget is the same for the year ending June 2004 with the exception of Streets and Highways. There is the possibility that County Road 505 will be upgraded so we increased that item from \$50,000 to \$100,000.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Township of McMillan, 405 Newberry Avenue, Newberry, MI 49868.

Township of McMillan, Michigan

STATEMENT OF NET ASSETS

June 30, 2004

	Primary Government		
	Governmental	Business Type	
	Activities	Activities	Total
ASSETS			
Current Assets:			
Cash and investments	\$ 952,723	\$ 5,283	\$ 958,006
Receivables (net)	1,252,605	1,208	1,253,813
TOTAL CURRENT ASSETS	2,205,328	6,491	2,211,819
Non-current assets:			
Land and construction in progress	-	-	-
Other capital assets	239,512	565,135	804,647
Accumulated depreciation	(105,980)	(283,508)	(389,488)
Total Capital Assets	133,532	281,627	415,159
TOTAL NON-CURRENT ASSETS	133,532	281,627	415,159
TOTAL ASSETS	2,338,860	288,118	2,626,978
LIABILITIES:			
Current Liabilities:			
Accounts payable	-	2,344	2,344
Accrued liabilities	-	79,631	79,631
Deferred revenue	1,144,752	-	1,144,752
Current portion of bonds payable	-	4,901	4,901
Other current liabilities	-	786	786
TOTAL CURRENT LIABILITIES	1,144,752	87,662	1,232,414
Non-current Liabilities:			
Compensated absences	-	-	-
Bonds payable	-	57,967	57,967
TOTAL NON-CURRENT LIABILITIES	-	57,967	57,967
TOTAL LIABILITIES	1,144,752	145,629	1,290,381
NET ASSETS			
Invested in capital assets net of related debt	133,532	218,759	352,291
Restricted for:			
Debt Service	-	8,045	8,045
Unrestricted	1,060,576	(84,315)	976,261
TOTAL NET ASSETS	\$ 1,194,108	\$ 142,489	\$ 1,336,597

The accompanying notes are an integral part of these financial statements.

Township of McMillan, Michigan

GOVERNMENTAL FUNDS

BALANCE SHEET

June 30, 2004

ASSETS

	General Fund	UDAG Fund	Non-Major Governmental Funds	Total Governmental Funds
Cash and investments	\$ 419,883	\$ 527,659	\$ 5,181	\$ 952,723
Receivables	28,222	1,144,752	-	1,172,974
Due from other funds	79,631	-	-	79,631
TOTAL ASSETS	\$ 527,736	\$ 1,672,411	\$ 5,181	\$ 2,205,328

LIABILITIES AND FUND BALANCE

LIABILITIES:

Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll and related	-	-	-	-
Deferred revenue	-	1,144,752	-	1,144,752
TOTAL LIABILITIES	-	1,144,752	-	1,144,752

FUND BALANCE:

Reserved for:				
Cemetery Trust Fund	-	-	5,181	5,181
Unreserved, reported in:				
General Fund	527,736	-	-	527,736
Liquor Law Fund	-	-	-	-
UDAG Fund	-	527,659	-	527,659

TOTAL FUND BALANCE	527,736	527,659	5,181	1,060,576
TOTAL LIABILITIES AND FUND BALANCE	\$ 527,736	\$ 1,672,411	\$ 5,181	\$ 2,205,328

The accompanying notes are an integral part of these financial statements.

Township of McMillan, Michigan

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS**

June 30, 2004

Total Fund Balances for Governmental Funds

\$ 1,060,576

*Amounts reported for governmental activities in the statement
of net assets are different because:*

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds

Cost of Capital Assets	239,512	
Accumulated Deprecation of Assets	<u>(105,980)</u>	133,532

Long-term liabilities, including bonds payable, are not due and payable
in the current period and therefore are not reported in the funds.

Current portion of bonds payable	\$ -
Compensated absences	-
Bonds payable	<u>-</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 1,194,108

The accompanying notes are an integral part of these financial statements.

Township of McMillan, Michigan

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended June 30, 2004

	<u>General Fund</u>	<u>UDAG Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:				
Taxes	\$ 290,159	\$ -	\$ -	\$ 290,159
Licenses and permits	-	-	-	-
State sources	121,831	-	3,620	125,451
Charges for services	20,738	-	-	20,738
Interest	21,728	77,076	394	99,198
Other	4,627	86,843	-	91,470
TOTAL REVENUES	<u>459,083</u>	<u>163,919</u>	<u>4,014</u>	<u>627,016</u>
EXPENDITURES:				
Current operations:				
Legislative	29,394	-	-	29,394
Elections	803	-	-	803
General services and administration	341,006	-	-	341,006
Public safety	44,035	-	3,693	47,728
Public works	32,404	-	-	32,404
Community and economic development	-	191,413	-	191,413
Recreation and culture	-	-	-	-
Other	-	-	-	-
Capital outlay	-	-	-	-
TOTAL EXPENDITURES	<u>447,642</u>	<u>191,413</u>	<u>3,693</u>	<u>642,748</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>11,441</u>	<u>(27,494)</u>	<u>321</u>	<u>(15,732)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN FUND BALANCE	<u>11,441</u>	<u>(27,494)</u>	<u>321</u>	<u>(15,732)</u>
Fund balance, beginning of year, as restated	516,295	555,153	4,860	1,076,308
FUND BALANCE, END OF YEAR	<u>\$ 527,736</u>	<u>\$ 527,659</u>	<u>\$ 5,181</u>	<u>\$ 1,060,576</u>

The accompanying notes are an integral part of these financial statements.

Township of McMillan, Michigan

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended June 30, 2004

Net Change in Fund Balances - Total Governmental Funds

\$ (15,732)

*Amounts reported for governmental activities in the statement
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays
Depreciation expense

\$ 5,315
(5,294)

21

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

-

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ (15,711)

The accompanying notes are an integral part of these financial statements.

Township of McMillan, Michigan

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

June 30, 2004

	Business - Type Activities	
	Enterprise Funds	
	Wastewater	
	Treatment	
	Operating Fund	
ASSETS:		
Current Assets:		
Cash and investments	\$	5,283
Accounts receivable, net		1,208
TOTAL CURRENT ASSETS		<u>6,491</u>
Non-current Assets:		
Capital assets		565,135
Accumulated depreciation		(283,508)
TOTAL NON-CURRENT ASSETS		<u>281,627</u>
TOTAL ASSETS	\$	<u><u>288,118</u></u>
LIABILITIES:		
Current Liabilities:		
Accounts payable		2,344
Due to other funds		79,631
Accrued interest payable		786
Current portion of long-term debt		4,901
TOTAL CURRENT LIABILITIES		<u>87,662</u>
Non-current Liabilities:		
Bond payable		57,967
TOTAL NON-CURRENT LIABILITIES		<u>57,967</u>
TOTAL LIABILITIES		<u>145,629</u>
NET ASSETS:		
Invested in capital assets net of related debt		218,759
Restricted - debt service		8,045
Unrestricted		(84,315)
TOTAL NET ASSETS	\$	<u><u>142,489</u></u>

The accompanying notes are an integral part of these financial statements.

Township of McMillan, Michigan

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Fiscal Year Ended June 30, 2004

	Business - Type Activities
	Enterprise Funds
	Wastewater
	Treatment
	Operating Fund
OPERATING REVENUES:	
Charges for services (net)	\$ 35,429
Other operating revenue	-
TOTAL OPERATING REVENUES	35,429
OPERATING EXPENSES:	
Operating expenses	29,971
Depreciation	11,947
TOTAL OPERATING EXPENSES	41,918
OPERATING INCOME (LOSS)	(6,489)
NON-OPERATING REVENUES (EXPENSES):	
Investment income	-
Interest expense	(4,166)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(4,166)
INCOME (LOSS) BEFORE TRANSFERS	(10,655)
CHANGE IN NET ASSETS	(10,655)
Net assets, beginning of year	153,144
NET ASSETS, END OF YEAR	\$ 142,489

The accompanying notes are an integral part of these financial statements.

Township of McMillan, Michigan

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

For the Fiscal Year Ended June 30, 2004

	Business -Type Activities
	Enterprise Funds
	Wastewater Treatment
	Operating Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from fees and charges for services	\$ 34,221
Other operating revenues	-
Cash payments to employees for services	-
Cash payments to suppliers for goods and services	(20,419)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	13,802
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Cash payments for capital assets	-
Equity adjustment for prior accumulated depreciation	(1,328)
Interest payments on bonds	(4,166)
Principal payments on bonds	(4,732)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(10,226)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest income	-
(Additions) deductions to board designated and restricted assets	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,576
Cash and cash equivalents, beginning of year	1,707
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 5,283
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ (6,489)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	11,947
Change in assets and liabilities:	
(Increase) decrease in accounts receivable	(1,208)
(Increase) decrease in due from funds	6,422
Increase (decrease) in accrued interest	786
Increase (decrease) in accounts payable	2,344
NET ADJUSTMENTS	20,291
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 13,802

The accompanying notes are an integral part of these financial statements.

Township of McMillan, Michigan

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS

June 30, 2004

	<u>Agency Funds</u>
ASSETS:	
Cash and investments	<u>\$ 7</u>
TOTAL ASSETS	<u><u>\$ 7</u></u>
LIABILITIES:	
Due to other funds	<u>\$ -</u>
Due to others	<u> 7</u>
TOTAL LIABILITIES	<u><u>\$ 7</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF MCMILLAN, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Township have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant of these accounting policies established in GAAP and used by the Township are described below.

(1) REPORTING ENTITY

The Township's financial statements present the Township (the primary government). In evaluating the Township as a reporting entity, management has addressed all potential component units (traditionally separate reporting units) for which the Township may or may not be financially accountable and, as such, be includable within the Township's financial statements.

(2) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE FINANCIAL STATEMENTS:

The Township's basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Township's legislative, public works, public safety, community and economic development, recreation and culture and general services and administration are classified as governmental activities. The Township's Wastewater Treatment Facility is classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Township's functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The government-wide focus is more on the sustainability of the Township as an entity and the change in the Township's net assets resulting from the current year's activities. For the most part, the effect of interfund activities has been removed from these statements.

(3) BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS:

The financial transactions of the Township are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Township:

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Township:

- ***General Fund*** – General Fund is the general operating fund and, accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.
- ***Liquor Law Fund*** – Liquor Law Fund is used in cities, villages and townships which do not have a full time police or enforcement department to account for the distribution of State liquor law enforcement money to the local unit of government for enforcing the liquor control act.
- ***UDAG Fund*** – UDAG Fund is used in counties, cities, villages and townships. The local unit may establish an authority under the Economic Development Corporation Act to administer the activities authorized under the Act. The corporation shall be administered by a board of directors appointed pursuant to the requirements of the Act. The fund is used to account for the administration and management of EDC loans to the community.

Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the Township:

- ***Wastewater Fund*** – Wastewater Fund is used to record the revenues and expenses for the operation of a sewer system. Capital Assets are recorded within the fund and depreciation is charged.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support Township programs. The agency fund is custodial in nature and does not present results of operations or have a measurement focus.

Permanent Funds

Permanent Funds are used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs—that is, for the benefit of the government or its citizenry.

- ***Cemetery Trust Fund*** – Cemetery Trust Fund is used to account for money held by the local unit in trust for the perpetual care of cemetery lots. This fund has both an expendable and non-expendable fund balance. The non-expendable fund balance contains the amounts placed with the local unit in trust to be invested. The income earned on the investments would be closed to the expendable fund balance and may be only used for the perpetual care of the cemetery lots.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

The Township reports the following major governmental funds:

- The **General Fund** is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The **UDAG** accounts for the Township's Economic Development Corporation activities.

The Township reports the following major proprietary funds:

- The **Wastewater Treatment Fund** accounts for the management of wastewater treatment services including billing, maintenance and construction.

The Township's fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the Township, these funds are not incorporated into the government-wide statements.

(4) BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

All proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified basis of accounting, revenues are recorded when they are both measurable and available. "Available" means collectible within the current period or within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. However, debt service expenditures, compensated absences, and claims and judgments are recorded only when payment is due.

(5) FINANCIAL STATEMENT AMOUNTS

Budgets and Budgetary Accounting – The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Township Supervisor submits to the Township Board of Trustees a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Numerous opportunities exist for public comment during the budget process including at least two formal public hearings conducted at the Township Hall to obtain taxpayer comment.
- c. Pursuant to statute, prior to June 30 of each year the budget for the ensuing year is legally enacted through adoption of an Annual General Appropriations Act.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- d. The general statute governing Township budgetary activity is the State of Michigan Uniform Budgeting and Accounting Act. In addition to the provisions of the said Act and Board policy, general statements concerning the Board's intent regarding the administration of each year's budget are set out in the Annual General Appropriations Act. The Township Board of Trustees, through policy action, specifically directs the Supervisor not to authorize or participate in any expenditure of funds except as authorized by the Annual General Appropriations Act. The Board recognized that, in addition to possible Board sanctions for willful disregard of this policy, State statutes provide for civil liability for violations of the Annual General Appropriations Act.
- e. The Supervisor is authorized by means of Township policy to make certain transfers:
 - 1. The Supervisor receives a request for a budget transfer from the head of the department whose budget is to be affected. Such request must specify the necessity for the transfer, the account name and/or groups(s) and amount to be affected within prescribed limitations. Transfers in excess of those limitations must be approved by the Board of Trustees.
 - 2. The following considerations must be reviewed in determination of transfer approvals.
 - a. Are the transfers consistent with the intent of the Board of Trustees in adopting the annual budget?
 - b. Will the transfer maintain the financial integrity of the Township?
 - c. Will the transfer provide a reasonable solution to the departmental operating problem?

Considering the above, the Supervisor will then decide whether or not the transfer should be made.

Supplemental appropriations are submitted to and reviewed by the Supervisor and submitted to the Township Board of Trustees for their review and approval. If approved, they are implemented by the Supervisor through a budget revision.

- f. The Township adopts its Annual Budget on a departmental basis. At each level of detail, governmental operations are summarized into expenditure account groups. Funding sources are also identified and adopted at each level of detail. Budgetary control exists at the most detailed level adopted by the Board of Trustees, i.e., department for analytical purposes. A detailed line item breakdown is prepared for each program. Accounting, i.e., classification control, resides at the line item detail level.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- g. Budgets for the General Funds were adopted in substance on an accrual basis which is consistent with generally accepted accounting principles. Budgeted amounts as reported in the Financial Report are as originally adopted and/or amended by the Township Board of Trustees.

Cash Equivalents and Investments - For the purposes of balance sheet classification and the statement of cash flows, cash and equivalents consist of demand deposits, cash in savings, money market accounts and short-term certificates of deposit with original maturity of three months or less. Investments are carried at fair value.

Capital Assets – Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their fair value on the date donated. Depreciation on all exhaustible capital assets is charged as an expense against their operations in government-wide statements and proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Land improvements	15 years
Building, structures and improvements	40 years
Equipment	5 years
Water and Sewage System	20-50 years
Vehicles	5 years
Infrastructure	20-50 years

Long-Term Liabilities: In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statement of net assets. In the fund financial statements, the face amount of debt issued is reported as other financing sources.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

Property Taxes – Property taxes are levied as of December 1 of each year and are due by the last day of the following March. The taxes are collected by the local unit and periodically remitted to the third parties during the collection period.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Deferred Revenues – Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been met.

Interfund Activity – Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a result of the reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Implementation of New Accounting Principles – In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* (GASB No. 34). Certain of the significant changes in the Statement include the following:

- For the first time the financial statements include:
 - A Management Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operation's.
 - Financial statements prepared using full accrual accounting for all of the Township's activities, including infrastructure (e.g. streets, bridges and sidewalks)
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). There was no current year additions to infrastructure to be reported in these financial statements.

NOTE B – DEPOSITS AND INVESTMENTS:

The composition of cash and investments as reported in the combined balance sheet is presented below:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and Investments:			
Unrestricted	\$958,006	\$ 7	\$958,013
Restricted	-	-	-
TOTAL	<u>\$958,006</u>	<u>\$ 7</u>	<u>\$958,013</u>
Composition of Balances:			
Cash in banks	\$942,879	\$ 7	\$942,886
Certificates of Deposit	15,127	-	15,127
Imprest cash	-	-	-
TOTAL	<u>\$958,006</u>	<u>\$ 7</u>	<u>\$659,013</u>

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Act 196, PA 1997, authorized the Township to deposit and invest in:

- a. Bonds, securities, and other direct obligations of the United States or its agencies.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the National credit union administration that are eligible to be depository of surplus money belonging to the State under Section 5 or 6 of Act 105, PA 1855, as amended (MCL 21.145 and 21.146).
- c. Commercial paper rated at time of purchase within the two highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after purchase.
- d. United States government or Federal agency obligation repurchase agreements.
- e. Banker's acceptance of United States banks.
- f. Mutual funds composed of investments which are legal for direct investments by local units of government in Michigan.
- g. Obligation of the State of Michigan or its political subdivisions which are rated investment grade.
- h. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Deposits

At year-end, the carrying amount of the Township's deposits was \$942,886 and the bank balance was \$946,171. Of the bank balance, \$253,681 was covered by federal depository insurance according to FDIC regulations.

These deposits are in various financial institutions in varying amounts. All accounts are in the name of the Township and specific funds. They are recorded in Township records at cost. Interest is recorded when the deposits mature or is credited to the applicable account.

Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

NOTE C – INTERFUND BALANCES:

A summary of interfund receivable and payables are:

<u>Fund</u>	<u>Receivable</u>	<u>Fund</u>	<u>Payable</u>
PRIMARY GOVERNMENT:			
General	<u>\$ 79,631</u>	Wastewater Treatment	<u>\$79,631</u>

NOTE D – CAPITAL ASSETS:

A summary of the capital assets of the Governmental Activities is as follows:

	Balance at July 1, 2003	Additions	Disposals	Balance at June 30, 2004
GOVERNMENTAL ACTIVITIES:				
Land	\$ 51,750	\$ -	\$ -	\$ 51,750
Total Capital Assets, not being depreciated	<u>51,750</u>	<u>-</u>	<u>-</u>	<u>51,750</u>
Buildings and improvements	155,873	-	-	155,873
Furniture and equipment	<u>26,574</u>	<u>5,315</u>	-	<u>31,889</u>
Total Capital Assets, being depreciated	<u>182,447</u>	<u>5,315</u>	<u>-</u>	<u>187,762</u>
Less Accumulated Depreciation:				
Buildings and improvements	\$ (78,091)	\$(3,258)	\$ -	\$ (81,349)
Furniture and equipment	<u>(22,595)</u>	<u>(2,036)</u>	-	<u>(24,631)</u>
Total Accumulated Depreciation	<u>(100,686)</u>	<u>(5,294)</u>	<u>-</u>	<u>(105,980)</u>
Governmental Activities Capital Assets, Net	<u>\$ 133,511</u>	<u>\$ 21</u>	<u>\$ -</u>	<u>\$133,532</u>

Depreciation expenses for the governmental activities was charged to the following functions and activities of the primary government:

General and Administrative	\$5,294
Public Safety	-
Recreation and Culture	-
Total	<u>\$5,294</u>

A summary of changes in business-type activities capital assets is as follows:

	Balance at July 1, 2003	Additions	Disposals	Balance at June 30, 2004
BUSINESS-TYPE ACTIVITIES:				
Land	\$ -	\$ -	\$ -	\$ -
Investment in Treatment Facility	-	-	-	-
Total Capital Assets, not being depreciated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Buildings and improvements	-	-	-	-
Equipment	<u>565,135</u>	<u>-</u>	<u>-</u>	<u>565,135</u>
Total Capital Assets, being depreciated	<u>565,135</u>	<u>-</u>	<u>-</u>	<u>565,135</u>
Less Accumulated Depreciation:				
Buildings and improvements	-	-	-	-
Equipment	<u>(271,561)</u>	<u>(11,947)</u>	-	<u>(283,508)</u>
Total Accumulated Depreciation	<u>(271,561)</u>	<u>(11,947)</u>	<u>-</u>	<u>(283,508)</u>
	<u>\$ 293,574</u>	<u>\$(11,947)</u>	<u>\$ -</u>	<u>\$ 281,627</u>

Depreciation expense for the business-type activities was charged to the following functions and activities of the primary government:

Business-Type Activities:	
Wastewater Treatment Facility	\$11,947
Total Depreciation Expense – Business-Type Activities	<u>\$11,947</u>

NOTE F – LONG-TERM DEBT:**SCHEDULE OF LUCE COUNTY DISPOSAL SYSTEM NO. 1 BOND**
June 30, 2004

	September 1	March 31		
	<u>Interest</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2005	\$ 1,572	\$ 4,901	\$ 1,572	\$ 8,045
2006	1,449	5,070	1,449	7,968
2007	1,322	5,239	1,322	7,883
2008	1,191	5,239	1,191	7,621
2009	1,060	5,239	1,060	7,359
2010	930	5,239	930	7,099
2011	799	5,239	799	6,837
2012	668	5,239	668	6,575
2013	537	5,239	537	6,313
2014	406	5,408	406	6,220
2015	270	5,408	270	5,948
2016	135	5,408	135	5,678
TOTALS	<u>\$10,339</u>	<u>\$62,868</u>	<u>\$10,339</u>	<u>\$83,546</u>

The Bonds originally issued for \$ 136,045 and dated August 1, 1976 mature annually as scheduled above and bears interest at 5% per annum.

	<u>July 1, 2003</u>	<u>Additions</u>	<u>Subtractions</u>	<u>June 30, 2004</u>
Governmental Activities:				
Total Governmental Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Business-Type Activities:				
This debt represents the Township's share of the Bond to form the Joint venture in the Village of Newberry Wastewater Treatment Facility.				
Total Business-Type Activities	<u>67,600</u>	<u>-</u>	<u>4,732</u>	<u>62,868</u>
TOTAL PRIMARY GOVERNMENT LONG-TERM DEBT	<u>\$ 67,600</u>	<u>\$ -</u>	<u>\$ 4,732</u>	<u>\$ 62,868</u>

NOTE G – RESERVED AND DESIGNATED NET ASSETS:

The Wastewater Treatment Fund has reserved net assets totaling \$ 8,045 which represents the balance available to pay down debt.

NOTE H – PROPERTY TAXES:

The Local Governmental Unit property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in the Local Governmental Unit as of the preceding December 31st.

Although the Local Governmental Unit 2003 ad valorem tax is levied and collectible on December 1, 2003, it is the Local Governmental Unit's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60) days.

NOTE H – PROPERTY TAXES (Continued):

The 2003 taxable valuation of the Local Governmental Unit totaled \$ 49,247,300, on which ad valorem taxes levied consisted of 1.0000 mills for the Local Governmental Unit operation purposes. These amounts are recognized in the General Fund financial statements as revenue.

NOTE I – INTERFUND RECEIVABLES AND PAYABLES:

	<u>Receivable</u>		<u>Payable</u>
Waste Water Fund	<u>\$ 79,631</u>	General Fund	<u>\$ 79,631</u>
TOTAL REPORTING ENTITY	<u>\$ 79,631</u>	TOTAL REPORTING ENTITY	<u>\$ 79,631</u>

NOTE J – OTHER POST EMPLOYMENT BENEFITS:

The Township of McMillan offers group benefit health insurance coverage under various collective bargaining agreements covering substantially all employees and former employees of the Township. This benefit is accounted for on the pay-as-you-go method, whereby the Township is reporting the amounts paid as expenditures in the year the amount is paid for the benefit provided. The amount paid for employees for the period ended June 30, 2004 was \$-0-.

NOTE K – CONTINGENT LIABILITIES:

Risk Management - The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained commercial insurance to handle its risk of loss.

NOTE N – PENSION TRUST FUND:

The Township has a pension plan for its all full time employees. This plan is a defined contribution pension plan for Michigan Township Employees. Each employee shall be eligible to participate in the Plan upon attaining age 18 and not more than age 75. There is no minimum service requirement. The Township contributes 15% of the employees annual salary to the Plan. The total contribution for the year ended June 30, 2004 was \$ 21,755.

NOTE O – LAWSUIT:

The Township is currently being sued by the Village of Newberry over the interpretation and continued operation of the joint sewer plant. The Circuit Court ruled in the favor of the Township this past winter. However, the Village is appealing this decision. At this time, the amount of a possible liability is undeterminable at this time.

NOTE H - URBAN DEVELOPMENT ACTION GRANT - U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:

On July 13, 1985, McMillan Township received an Urban Development Action Grant in the amount of \$1,425,000. Of this amount \$1,395,000 was loaned to Louisiana Pacific Corporation as part of a financing package used to build a fiberboard manufacturing plant. The Corporation repaid this loan in quarterly installments of \$85,320 at 8% for a five year period. The Township retains these funds for future economic development.

NOTE H - URBAN DEVELOPMENT ACTION GRANT - U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (Continued):

The following is a list of notes receivable as of June 30, 2004:

<u>Year</u> <u>Awarded</u>	<u>Debtor</u>	<u>Balance</u> <u>6/30/034</u> <u>(Township Share)</u>	<u>Total</u> <u>Loan Amount</u> <u>(Township</u> <u>Share)</u>	<u>Interest</u> <u>Rate</u>	<u>Term</u> <u>In Years</u>
June 1991	Barrett Goodyear Tire Service	\$ 6,431	\$50,000	8%	10
June 1997	Newberry Wood Enterprises	4,495	15,000	8	10*
June 1998	Falls Hotel, Inc.	32,740	41,100	7.5	15*
June 1998	U.P. Trading Company	33,533	51,800	8	15*
June 1998	Carla's Cut & Curl	15,253	22,300	9.25	15*
June 1998	The Pizza Place	50,402	60,000	8.15	15*
June 1998	S & J Archery	36,053	4,500	7.5	5
June 1998	Everson's Furnishings and Upholstery	15,573	22,762	7.5	10
August 1998	Dake Great Lakes Truck Service	43,007	54,750	8.0	15*
August 2000	Luce County Parks & Rec	5,765	28,800	6	5
February 2001	Northern Casting	270,312	290,250	7.5	15
April 2001	Luce County Parks and Rec	45,567	85,000	5	10
May 2001	Yoopertinkerville	25,346	32,250	8.5	15*
July 2001	LJ's Family Restaurant	9,991	14,063	8.5	7
February 2002	Plesscher Nursery, Inc.	50,000	50,000	7.5	5
March 2002	NorTek, LLC	70,398	73,800	7.5	20
April 2002	McMillan Township Fire Trucks	250,850	415,000	4.75	16
May 2002	Robert J. DePew	7,805	12,969	7.5	5
July 2002	Joel Schultz	18,020	20,000	7.0	15*
February 2003	Dake Great Lakes Training Service	24,407	26,400	8.	10
July 2003	Moose on the Luce	14,163	15,000	7.5	10
September 2003	Village of Newberry	30,000	30,000	5	7
October 2003	Village Inn	6,890	7,500	7.5	15
January 2004	Ben Franklin	29,751	30,000	7.5	15
June 2004	New UII and Brenda's Bridal	48,000	48,000	8	10*
		<u>\$1,144,752</u>			

* Three Year Balloon

NOTE Q – DEFERRED REVENUE:

Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not been made.

The UDAG Fund has reported \$ 1,144,752, which represents the UDAG loans to various businesses. Terms vary with respect to repayment of these loans. Proceeds from repayments on these loans will be used for future Township UDAG development.

REQUIRED SUPPLEMENTAL
FINANCIAL INFORMATION

Township of McMillan, Michigan

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

For the Fiscal Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance with
	Original	Final	GAAP	Final Budget
			Basis	Positive
				(Negative)
REVENUES:				
Taxes	\$ 280,150	\$ 280,150	\$ 290,159	\$ 10,009
State sources	70,000	70,000	121,831	51,831
Charges for services	23,200	23,200	20,738	(2,462)
Interest	20,500	20,500	21,728	1,228
Other revenues	1,000	1,000	4,627	3,627
TOTAL REVENUES	394,850	394,850	459,083	64,233
EXPENDITURES:				
Legislative	34,950	34,950	29,394	5,556
Elections	6,250	6,250	803	5,447
General services and administration	267,991	367,991	341,006	26,985
Public safety	45,000	45,000	44,035	965
Public works	60,000	60,000	32,404	27,596
Other	100,000	-	-	-
TOTAL EXPENDITURES	514,191	514,191	447,642	66,549
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(119,341)	(119,341)	11,441	130,782
OTHER FINANCING SOURCES (USES):				
Operating transfers (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
CHANGE IN FUND BALANCE	(119,341)	(119,341)	11,441	130,782
Fund balance, beginning of year, as restated	516,295	516,295	516,295	-
FUND BALANCE, END OF YEAR	\$ 396,954	\$ 396,954	\$ 527,736	\$ 130,782

The accompanying notes are an integral part of these financial statements.

Township of McMillan, Michigan

UDAG

BUDGETARY COMPARISON SCHEDULE

For the Fiscal Year Ended June 30, 2004

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Interest	\$ 13,000	\$ 13,000	\$ 77,076	\$ 64,076
Other revenues	88,000	88,000	86,843	(1,157)
TOTAL REVENUES	101,000	101,000	163,919	62,919
EXPENDITURES:				
Community and economic development	101,000	192,000	191,413	587
TOTAL EXPENDITURES	101,000	192,000	191,413	587
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(91,000)	(27,494)	63,506
OTHER FINANCING SOURCES (USES):				
Operating transfers in (out)	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
CHANGE IN FUND BALANCE	-	(91,000)	(27,494)	63,506
Fund balance, beginning of year, as restated	555,153	555,153	555,153	-
FUND BALANCE, END OF YEAR	\$ 555,153	\$ 464,153	\$ 527,659	\$ 63,506

Other Supplemental Information

Township of McMillan, Michigan
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Taxes:			
Current levy	\$ 69,000	\$ 61,629	\$ (7,371)
Commercial forest reserve	4,500	4,289	(211)
Swamp tax	192,500	192,516	16
Tax collection fees	14,150	31,725	17,575
Total Taxes	<u>280,150</u>	<u>290,159</u>	<u>10,009</u>
State Sources:			
State revenue sharing	70,000	121,831	51,831
Total State Sources	<u>70,000</u>	<u>121,831</u>	<u>51,831</u>
Charges for Services:			
Cemetery services	22,000	19,350	(2,650)
Miscellaneous services	1,200	1,388	188
Total Charges for Services	<u>23,200</u>	<u>20,738</u>	<u>(2,462)</u>
Interest and Rents			
Interest	8,500	7,903	(597)
Rents	12,000	13,825	1,825
Total Interest and Rents	<u>20,500</u>	<u>21,728</u>	<u>1,228</u>
Other Revenues:			
Miscellaneous other	1,000	1,171	171
Sale of property	-	3,456	3,456
Total Other Revenues	<u>1,000</u>	<u>4,627</u>	<u>3,627</u>
TOTAL REVENUES	<u>394,850</u>	<u>459,083</u>	<u>64,233</u>
EXPENDITURES:			
LEGISLATIVE:			
Township Board:			
Personnel services	32,150	27,540	4,610
Other services and charges	2,800	1,854	946
TOTAL LEGISLATIVE	<u>34,950</u>	<u>29,394</u>	<u>5,556</u>

Township of McMillan, Michigan
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
ELECTIONS:			
Personnel services	\$ 4,000	\$ 651	\$ 3,349
Supplies	2,000	144	1,856
Other services and charges	250	8	242
TOTAL ELECTIONS	6,250	803	5,447
GENERAL SERVICES AND ADMINISTRATION:			
Supervisor:			
Personnel services	16,200	16,170	30
Supplies	-	-	-
Other services and charges	1,800	1,017	783
Total Supervisor	18,000	17,187	813
Manager:			
Personnel services	23,350	23,304	46
Supplies	-	-	-
Other services and charges	1,100	-	1,100
Total Manager	24,450	23,304	1,146
Professional Services			
Personnel services	-	-	-
Supplies	-	-	-
Other services and charges	29,500	22,259	7,241
Total Manager	29,500	22,259	7,241
Assessor:			
Personnel services	49,420	49,974	(554)
Supplies	1,500	1,482	18
Other services and charges	6,300	1,175	5,125
Total Assessor	57,220	52,631	4,589
Clerk:			
Personnel services	26,210	25,541	669
Supplies	2,000	2,178	(178)
Other services and charges	50,200	42,027	8,173
Total Clerk	78,410	69,746	8,664

Township of McMillan, Michigan
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
Board of Review:			
Personnel services	\$ 750	\$ 600	\$ 150
Supplies	-	-	-
Other services and charges	100	27	73
Total Board of Review	<u>850</u>	<u>627</u>	<u>223</u>
Treasurer:			
Personnel services	23,250	23,413	(163)
Supplies	3,000	2,476	524
Other services and charges	1,300	837	463
Total Treasurer	<u>27,550</u>	<u>26,726</u>	<u>824</u>
Township Hall and Grounds:			
Personnel services	21,160	20,732	428
Supplies	1,000	1,026	(26)
Other services and charges	35,000	32,276	2,724
Total Township Hall and Grounds	<u>57,160</u>	<u>54,034</u>	<u>3,126</u>
Cemetery:			
Personnel services	60,186	62,912	(2,726)
Supplies	300	517	(217)
Other services and charges	14,365	11,063	3,302
Total Cemetery	<u>74,851</u>	<u>74,492</u>	<u>359</u>
TOTAL GENERAL SERVICES AND ADMINISTRATION	<u>367,991</u>	<u>341,006</u>	<u>26,985</u>
PUBLIC SAFETY:			
Fire Department:			
Personnel services	-	-	-
Supplies	-	-	-
Other services and charges	45,000	44,035	965
Total Fire Department	<u>45,000</u>	<u>44,035</u>	<u>965</u>
TOTAL PUBLIC SAFETY	<u>45,000</u>	<u>44,035</u>	<u>965</u>

Township of McMillan, Michigan
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL**

For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
PUBLIC WORKS:			
Streets:			
Personnel services	\$ -	\$ -	\$ -
Supplies	-	-	-
Other services and charges	50,000	23,184	26,816
Total Streets	<u>50,000</u>	<u>23,184</u>	<u>26,816</u>
Refuse Collection:			
Personnel services	-	-	-
Supplies	-	-	-
Other services and charges	10,000	9,220	780
Total Refuse Collection	<u>10,000</u>	<u>9,220</u>	<u>780</u>
TOTAL PUBLIC WORKS	<u>60,000</u>	<u>32,404</u>	<u>27,596</u>
TOTAL EXPENDITURES	<u>514,191</u>	<u>447,642</u>	<u>66,549</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(119,341)</u>	<u>11,441</u>	<u>(2,316)</u>
OTHER FINANCING SOURCES (USES):			
Operating Transfers (Out):	-	-	-
Operating Transfers (Out):	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN FUND BALANCE	<u>(119,341)</u>	<u>11,441</u>	<u>(2,316)</u>
Fund balance, beginning of year	<u>516,295</u>	<u>516,295</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 396,954</u></u>	<u><u>\$ 527,736</u></u>	<u><u>\$ (2,316)</u></u>

Township of McMillan, Michigan
MAJOR GOVERNMENTAL FUNDS
UDAG

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2004

	2003		
	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
Interest:			
Interest income - investments	\$ -	\$ 8,881	\$ 8,881
Interest income - loans	13,000	68,195	55,195
Total Interest	13,000	77,076	64,076
Other Revenue:			
Principal payments	88,000	86,843	(1,157)
Total Other Revenues	88,000	86,843	(1,157)
TOTAL REVENUES	101,000	163,919	62,919
EXPENDITURES:			
COMMUNITY AND ECONOMIC DEVELOPMENT:			
Economic Development			
Personnel services	-	-	-
Supplies	-	-	-
Other services and charges	192,000	191,413	587
Total Economic Development	192,000	191,413	587
TOTAL COMMUNITY AND ECONOMIC DEVELOPMENT	192,000	191,413	587
TOTAL EXPENDITURES	192,000	191,413	587
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(91,000)	(27,494)	63,506
OTHER FINANCING SOURCES (USES):			
Operating Transfers In	-	-	-
Operating Transfers (Out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
CHANGE IN FUND BALANCE	(91,000)	(27,494)	63,506
Fund balance, beginning of year	555,153	555,153	-
FUND BALANCE, END OF YEAR	\$ 464,153	\$ 527,659	\$ 63,506

Township of McMillan, Michigan

**NON-MAJOR
GOVERNMENTAL FUNDS**

BALANCE SHEET

June 30, 2004

	Special Revenue Fund	Permanent Fund	Total Governmental Funds
	Liquor Law Fund	Cemetery Trust Fund	
ASSETS			
Cash and investments	\$ -	\$ 5,181	\$ 5,181
Due from other funds	-	-	-
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 5,181</u>	<u>\$ 5,181</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES:			
Other liabilities	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE:			
Unreserved	-	5,181	5,181
TOTAL FUND BALANCE	<u>-</u>	<u>5,181</u>	<u>5,181</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ -</u>	<u>\$ 5,181</u>	<u>\$ 5,181</u>

Township of McMillan, Michigan

**NON-MAJOR
GOVERNMENTAL FUNDS**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended June 30, 2004

	Special Revenue Fund	Permanent Fund	Total Governmental Funds
	Liquor Law Fund	Cemetery Trust Fund	
REVENUES:			
State sources	\$ 3,620	\$ -	\$ 3,620
Interest	73	321	394
Other	-	-	-
TOTAL REVENUES	3,693	321	4,014
EXPENDITURES:			
General government	-	-	-
Public safety	3,693	-	3,693
TOTAL EXPENDITURES	3,693	-	3,693
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	321	321
OTHER FINANCING SOURCES (USES):			
Operating transfers in	-	-	-
Operating transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-
CHANGE IN FUND BALANCE	-	321	321
Fund balance, beginning of year, as restated	-	4,860	4,860
FUND BALANCE, END OF YEAR	\$ -	\$ 5,181	\$ 5,181

Township of McMillan, Michigan
NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE
LIQUOR LAW FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

For the Fiscal Year Ended June 30, 2004

	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)
REVENUES:			
State shared revenues	\$ 3,800	\$ 3,620	\$ (180)
Interest	100	73	(27)
TOTAL REVENUES	3,900	3,693	(207)
EXPENDITURES:			
Public Safety:			
Liquor Law Enforcement			
Personnel services	-	-	-
Supplies	-	-	-
Other services and charges	3,900	3,693	207
Capital outlay	-	-	-
Total Cemetery	3,900	3,693	207
TOTAL EXPENDITURES	3,900	3,693	207
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-
OTHER FINANCING SOURCES (USES):			
Operating transfers in	-	-	-
Operating transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES	-	-	-
CHANGES IN FUND BALANCE	-	-	-
Fund balance, beginning of year	-	-	-
FUND BALANCE, END OF YEAR	\$ -	\$ -	\$ -

Township of McMillan, Michigan
NON-MAJOR GOVERNMENTAL FUNDS
PERMANENT FUND
CEMETERY TRUST FUND

**STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE**

For the Fiscal Year Ended June 30, 2004

	Cemetery Trust Fund
REVENUES:	
Interest	\$ 321
Other	-
TOTAL REVENUES	321
EXPENDITURES:	
General Government:	
Cemetery	
Personnel services	-
Supplies	-
Other services and charges	-
Capital outlay	-
Total Cemetery	-
TOTAL EXPENDITURES	-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	321
OTHER FINANCING SOURCES (USES):	
Operating transfers in	-
Operating transfers (out)	-
TOTAL OTHER FINANCING SOURCES	-
CHANGES IN FUND BALANCE	321
Fund balance, beginning of year	4,860
FUND BALANCE, END OF YEAR	\$ 5,181

Township of McMillan, Michigan

FIDUCIARY FUNDS

COMBINING STATEMENT OF NET ASSETS

June 30, 2004

	<u>Trust & Agency Fund</u>	<u>Tax Collection Fund</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ -	\$ 7	\$ 7
Due from other funds	-	-	-
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 7</u>	<u>\$ 7</u>
LIABILITIES			
Due to other funds	\$ -	\$ -	\$ -
Due to others	-	7	7
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$ 7</u>	<u>\$ 7</u>

Compliance Supplements



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Supervisor and Township Board of Trustees
Township of McMillan, Michigan
405 Newberry Avenue
Newberry, Michigan 49868

We have audited the governmental activities, business-type activities, major funds, and remaining fund information, which collectively comprise the basic financial statements of the Township of McMillan, Michigan as of and for the year ended June 30, 2004, and have issued our report thereon dated September 10, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Charter Township of Chocolay's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk of material misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, and Township Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, P.L.C.
Certified Public Accountants

September 10, 2004



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

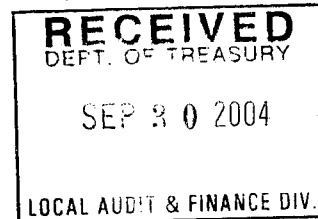
ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

September 10, 2004



To the Honorable Supervisor and Township Board
Township of McMillan, Michigan
Newberry, MI 49868

We have audited the financial statements of the Township of McMillan, Michigan for the year ended June 30, 2004, and has issued our report thereon dated September 10, 2004. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control the Township of McMillan, Michigan. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township of McMillan, Michigan are described in Footnote A, to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Township of McMillan, Michigan during the year that were significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgement, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township of McMillan, Michigan's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we

To the Honorable Supervisor and Township Board
Township of McMillan, Michigan
Newberry, MI 49868

proposed, whether recorded or unrecorded by the Township of McMillan, Michigan, either individually or in the aggregate, indicate matters that could have a significant effect on the Township of McMillan, Michigan's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principal to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditor's

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township of McMillan, Michigan's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

This information is intended solely for the use of the Township Board, Township Management, and regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants